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Message Text

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17
ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 PA-01 PRS-01

USIA-06 XMB-02 FRB-03 /088 W
---------- 096671
R 180245Z MAR 75
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 7086
INFO AMCONSUL HONG KONG
AMEMBASSY KUALA LUMPUR
AMEMBASSY LONDON
AMEMBASSY MANILA
AMCONSUL MEDAN
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY SINGAPORE
AMCONSUL SURABYA
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO

C O N F I D E N T I A L JAKARTA 3195

DEPT PLEASE PASS EXIMBANK FOR CLARK

HONG KONG FOR TREASURY ATTACHE AND EXIM REP

EO 11652: GDS
TAGS: EFIN EALR EAID ID
SUBJ: GOI PROGRESS IN RESOLVING PERTAMINA FINANCIAL DIFFICULTIES

REF: A. JAKARTA 2988 B. EAL

1. SUMMARY: BANK INDONESIA (BI) NOW HAS PRELIMINARY
ESTIMATES OF PERTAMINA OBLIGATIONS FALLING DUE CY 1975.
LAST WEEK BI ASSISTED PERTAMINA TO PAY OFF ON TIME $60
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MILLION BANK DEBT. THIS WEEK BI CONSULTING WITH ITS

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FINANCIAL ADVISORS ON PLANS TO RAISE SEVERAL HUNDRED
MILLION DOLLARS FROM EUROPEAN AND JAPANESE MONEY
MARKETS IN APRIL. ADVISORS REPORT GOI FINALLY REASY TO
CONCLUDE COMMERICAL FINANCING AGREEMENTS ASSOCIATED
WITH EXIM BANK CREDITS AND OTHER PENDING PROJECTS. GOI
NOW REVIEWING PENDING MAJOR PROJECTS TO DECIDE ON FUTURE
MANAGEMENT AND ON IMPLEMENTATION. END SUMMARY

2. BI NOW ESTIMATES PERTAMINA HAS 600 MILLION IN SHORT
TERM DEBT PLUS 100 MILLION IN LONGER TERM CREDITS STILL
TO PAY BEFORE END CY 1975; MAJORITY FALLS DUE EBFORE JUNE.
IN ADDITION, BI MUST ALSO PAY OFF $230 MILLION OF BANK
DAGANG NEGARA 6MONTH BORROWINGS FOR KRAKATAU PROJECT.
ADDITIONAL OBLIGATIONS TO SUPPLIERS NOT YET ESTIMATED.
BI ASSISTED PERTAMINA LAST WEEK IN COMPLETING PAYOFF OF
$40 MILLION CREDIT FROM SYNDICATE HEADED BY REPUBLIC
NATIONAL BANK OF DALLAS (OVERDUE SINCE FEBRUARY 17), AND
TO PAY OFF ON TIME $60 MILLION TO TORONTO DOMINION BANK.

3. MINISTER WIDJOJO MET FINANCIAL OFFICIALS IN EUROPE
LAST WEEK. HE AND CENTRAL BANK GOVERNOR RACHMET SALEH
ARE CONSULTING KUHN LOEB (KL) AND OTHER FINANCIAL ADVISORS
IN JAKARTA THIS WEEK. KL HAS ENLISTED PRESTIGIOUS
US BANK WHICH WILL LEAD SYNDICATE WHICH KL HOPES MAY
RAISE $200-300 MILLION IN EUROPEAN MARKET DURING APRIL.
GOI AND KL MAKING PARALLEL EFFORT IN JAPAN IN HOPES
OF ADDITIONAL 100-200 MILLION. GOIOFFICIALS AWARE
THAT JAPANESE GOVERNMENT POLITICAL DECISION REQUIRED TO SUPPORT
INDONESIAN BORROWING IN JAPAN, WHERE BANKS FOREIGN LENDING
TIGHTLY LIMITED. KL HAS NO FIXED VIEW ON HOW SOON
INDONESIA MIGHT SUBSEQUENTLY GO INTO MARKET AGAIN BUT
POSSIBLY NOT BEFORE FALL. (COMMENT: AT BEST,
GOI BORROWING EFFORTS MIGHT RAISE FUNDS TO PAY MOST OF
PERTAMINA'S CY 1975 OBLIGATIONS. HOWEVER, NEED TO
FINANCE PRIORITY GOI PROJECTS NOW PENDING WILL INEVITABLY
NECESSITATE SUBSTANTIAL RESERVE DRAWDOWNS THIS CY).

4. KL ADVISED EMBASSY THAT, FOR ITS COMMERCIAL BORROWING
IN SUPPORT OF EXIM BANK FINANCED PROJECTS, GOI NOW
ACCEPTS THAT IT MUST PAY ABOUT 1 7/8 PERCENT OVER LIBO
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(WIDJOJO PREVIOUSLY HELD OUT, UNSUCCEFFULLY,FOR 1 1/2
PERCENT). KL OPTIMISTIC THAT COMMERCIAL FINANCING
FOR THESE PROJECTS CAN BE CONCLUDED BY END OF MARCH.

5. FOR LONGER HAUL KL STATES IT ENCOURAGING GOI TO HELP
REFURBISH PERTAMINA'S IMAGE AS PROSPECTIVE INTERNATIONAL BORROWER
SOME TWO YEARS HENCE, SINCE KL BELIEVES MARKET
REACTS BETTER TO DIVERSIFICATION OF BORROWERS FROM

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SINGLE COUNTRY.

6. MINISTER MINES SADLI INFORMED AMBASSADOR NEWSOM MARCH 14 THAT GOVERNMENT NOW CONSIDERING HOW TO DEAL WITH NUMEROUS PROJECTS PERTAMINA HAS IN PROGRESS. SADLI CITED FOUR CATEGORIES FOR CLASSIFYING THESE PROJECTS: THOSE (A) TO BE DISCONTINUED; (B) TO BE COMPLETED ON SCHEDULE BUT POSSIBLY SCALED DOWN; (C) TO BE STRETCHED OUT; AND (D) TO BE TRANSFERRED TO OTHER MANAGEMENT.

7. COMMENT: EMBASSY CONTINUES TO BE ENCOURAGED BY RECENT DEVELOPMENTS--PARTICULARLY BY KA) FACT THAT GOVERNMENT MOVED QUICKLY TO ASSURE OUTSTANDING OBLIGATIONS SETTLED; (B) SIGNS THAT WITH EXPERT FINANCIAL CONSULTANTS IN PLACE, GOI NOW PREPARED TO MAKE PROMPT DECISIONS ON PENDING PROJECT FINANCING; AND (C) INDICATIONS OF SMOOTH, CLOSE-WORKING RELATIONSHIP DEVELOPING BETWEEN PERTAMINA AND BANK INDONESIA OFFICIALS. NEWSOM

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